



# PRESS RELEASE

## House National Security Committee

### Floyd D. Spence, Chairman

**FOR IMMEDIATE RELEASE**

September 18, 1998

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### CONFEREES REACH AGREEMENT ON FY 99 DEFENSE AUTHORIZATION BILL

*Last night, House National Security Chairman, Floyd D. Spence (R-SC), announced that House and Senate conferees reached an agreement on the conference report for the National Defense Authorization Act for Fiscal Year 1999 (H.R. 3616). Upon conclusion of the conference, Chairman Spence issued the following statement:*

"This conference report maintains much of the focus and emphasis of the bipartisan bill that passed overwhelmingly in the House last May. By providing adding additional funding for quality of life initiatives and key readiness and modernization accounts, this bill attempts to address many of the personnel and military readiness issues that are becoming everyday news.

"The conference has done its best in an untenable situation. We have reprioritized within a declining defense budget to better address quality of life, readiness, modernization shortfalls. As such, the conference report reflects significant improvements in many elements of the President's budget request. However, as the Joints Chiefs of Staff apparently briefed the President earlier this week, without additional defense resources to reverse the fourteen year pattern of defense spending decline, the military services will be unable to stabilize their shrinking force structures, protect quality of life and readiness and modernize rapidly aging equipment."

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*The committee used the fiscal year 1999 defense spending recommendation contained in last year's concurrent resolution on the budget (H.Con.Res. 84). This level, \$270.5 billion in budget authority, is consistent with the discretionary spending cap for defense established in the Balanced Budget Act of 1997.*

*A summary of the bill's major provisions is posted on the committee's homepage at <http://www.house.gov/nsc/>.*

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## **SUMMARY OF MAJOR PROVISIONS**

### **H.R. 3616:**

## **NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1999 (CONFERENCE REPORT)**

**SEPTEMBER 17, 1998**



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## QUALITY OF LIFE

*Since the end of the Cold War, each of the military services has experienced a marked increase in workload: the Army, which conducted 10 "operational events" outside of normal training and alliance commitments during the 31 year period of 1960-1991, has conducted 26 "operational events" in the seven years since 1991; the Marine Corps, which undertook some 15 "contingency operations" between 1982 to 1989, has conducted 62 since the fall of the Berlin Wall; and for the first time, the Air Force is experiencing long-term deployments. All of these additional deployments and contingencies have come at a time when the nation's military has been reduced from 18 to 10 Army Divisions, the number of Navy ships cut from 547 to 346, and Air Force fighter wings reduced from 36 to 19. Overall, military downsizing has reduced the active duty force of 2.2 million to less than 1.4 million active duty soldiers, sailors, airmen, and Marines.*

*The combination of an increased pace of operations, declining defense budgets, and a shrinking force structure has forced American military personnel and their families to make great personal sacrifices just to get the job done – even in peacetime. Compounding the situation is the widespread perception among service members that military health care, retirement, and compensation benefits are slowly eroding. According to many service members, the declining quality of military life is one of the primary reasons that recruiting and retention problems are on the rise.*

*Over the past three years, conferees to the National Defense Authorization Act have made a concerted effort to address these quality of life problems. Conferees once again took a multifaceted approach to improving the quality of life for military personnel and their families by: providing fair compensation; improving the military health care system; maintaining retirement benefits; supporting morale, welfare, and recreation programs; and ensuring that military personnel live and work in high quality facilities.*

### ***Pay and Allowances***

Despite Congress' efforts over the past three years to improve various elements of military compensation, the level of compensation provided to service members continues to inhibit the services' ability to recruit and retain a quality force. In an effort to improve quality of life, and address retention and recruiting problems, the conferees took the following actions:

- **Basic Military Pay Increase.** The conferees provided a 3.6 percent military pay raise (.5 percent more than the President's request). This increase will provide a military pay raise equal to that of pay raises in the private sector, and will freeze the "pay gap" at its current level. The conferees note with satisfaction that, following House and Senate endorsement of the higher military pay raise, the Administration dropped its opposition to the House initiative and has proposed an even larger pay raise for fiscal year 2000.

- **Imminent Danger Pay Policy for Reservists.** The conferees included a provision to make reserve policy equitable with active duty policy by authorizing reservists to receive a full month's imminent danger pay (\$150 per month), even if their service in "imminent danger" is for less than one full month.
- **Increased Hazardous Duty Pay for Enlisted Flight Personnel.** The conferees included a provision to increase the hazardous duty pay levels for flight crewmembers at the E-4 pay grade by \$15 per month and flight crewmembers at the E-5 through E-9 pay grades by \$40 per month.
- **Extending Reenlistment Bonuses to Active Duty Reservists.** In recent years, reserve personnel in the Active Guard and Reserve (AGR) have played an increasing role in active duty missions. In order to encourage the most qualified of these personnel to remain in the force, the conferees authorized payment of selective reenlistment bonuses (SRB) to reservists on extended active duty in support of the reserves.
- **Retention Incentives for Critically Short Military Occupational Specialties.** The conferees included a provision to require the Secretary of Defense to establish a series of incentives to encourage service members in specialized occupations with low retention rates to remain in the military. These new incentives should include family support and leave allowances, increased reenlistment and retention bonuses, modified leave policies, and priority of selection for assignment to duty stations.

### *Military Health Care*

In recent years, service members, their families, and retirees have increasingly expressed concern that their health care benefits are slowly "eroding." This perception is based in large part on concerns about a decreasing availability of military health care services for military retirees and their families, including Medicare-eligible retirees who are not eligible for TRICARE. In response to such concerns, the conferees agreed to a number of provisions designed to improve the military health benefit:

- **Reform of the Military Pharmacy System.** In recent years, there has been increasing concern over the adequacy and availability of the military pharmacy benefit. In an effort to ensure that military beneficiaries have access to a comprehensive pharmacy benefit, the conferees included a provision to direct the Secretary of Defense to submit a plan to Congress by March 1, 1999, for a system-wide redesign of the military pharmacy system. The plan for a redesigned system must incorporate private sector pharmacy "best practices" and assume that all military beneficiaries, including those eligible for Medicare, are provided with a universal, uniform pharmacy benefit.

- **Health Care Services for Military Retirees.** To address growing concerns about the availability of military health care services for Medicare-eligible military retirees and their families, the conferees included a number of provisions designed to evaluate different options for improving their health care coverage:
  - **Federal Employees Health Benefits Program (FEHBP).** The conferees included a provision to establish a three-year demonstration program to allow Medicare-eligible retirees and their families to enroll in FEHBP beginning January 1, 2000. This demonstration will allow up to 66,000 eligible beneficiaries in six to ten areas around the country to participate in FEHBP under the same cost-sharing arrangements as other federal employees;
  - **TRICARE Senior Supplement Demonstration.** The conferees included a provision to test the feasibility of providing TRICARE coverage as a supplement to Medicare for eligible retirees and their families. The TRICARE Senior Supplement demonstration program will be similar in function to a commercial Medicare supplemental insurance policy, and eligible beneficiaries will have to pay a modest premium to participate in it. This demonstration program will be conducted at two separate locations beginning no later than January 1, 2000; and
  - **Pharmacy Benefits.** The conferees included a provision to require the Secretary of Defense to implement a redesigned pharmacy benefit, as developed under the pharmacy reform plan directed elsewhere in the conference report, to eligible individuals in two separate areas by October 1, 1999. Under this program, participants will have access to the entire military and TRICARE pharmacy program, including the mail-order and retail pharmacy benefits.
- **Health Care Access Standards.** In light of numerous reports that TRICARE standards for access to primary care services are not being met in many areas of the country, the conferees included a provision to require the Secretary of Defense to establish a system to measure the performance of Military Treatment Facilities (MTFs) and TRICARE contractors in meeting the standards for timely access to care.
- **Retiree Dental Program Improvements.** Under current law, dependents of military retirees may enroll in the retiree dental program only if the retired member also enrolls. Since many retirees receive dental care through Department of Veterans Affairs programs or employer-sponsored dental plans, or have medical or dental conditions that may preclude their use of the dental program, they are forced to enroll in the military retiree dental program just to ensure coverage for their dependents. To remedy this situation, the conferees included a provision to allow the dependents of such military retirees to independently enroll in the retiree dental program.
- **Claims Processing Reforms.** DOD procedures for settling health services claims occasionally result in military beneficiaries being subjected to collection actions because of a cumber-

some TRICARE claims processing requirement. In an effort to protect military beneficiaries from misguided collection actions, the conferees included a provision to authorize the Secretary of Defense to require TRICARE contractors to pay all provider claims in a timely manner and then to seek recovery from third parties who may be liable.

- **Enrollment-Based Capitation Funding.** Due to concerns about the potential adverse impact of DOD's recently announced initiative to impose a strict managed-care financing mechanism on MTFs (known as enrollment-based capitation), the conferees included a provision to require the Secretary of Defense to report to Congress by March 1, 1999, on how this funding mechanism will work. Specifically, the report must explain how enrollment-based capitation will affect the availability of medical care in military facilities for military beneficiaries not enrolled in TRICARE Prime, its potential impact on the MTF pharmacy benefit, and what plans DOD has to ensure the provision of adequate health care and prescription drugs to non-enrolled military beneficiaries.

### ***Military Construction***

The President's budget request severely underfunded military construction accounts, as its \$7.8 billion budget for military construction and military family housing programs for fiscal year 1999 was \$1.4 billion less than fiscal year 1998 spending levels. According to the service chiefs, the military will suffer a shortfall of \$7.6 billion over the next five years in military construction accounts alone. In efforts to improve military infrastructure, Congress has added over \$2.1 billion to the President's budgets over the past three years. This year, the conferees authorized \$8.5 billion (\$666 million more than the President's request) for military construction accounts. Specific military construction initiatives include:

- **Family Housing.** The conferees authorized \$712 million (\$101 million more than the President's request) for construction and improvement of military family housing units;
- **Troop Housing.** The conferees authorized \$716 million for the construction of 48 new barracks and dormitories within the United States and to support troops deployed abroad (\$153 million and 15 facilities more than the President's request); and
- **Child Development Centers.** The conferees authorized \$34 million for nine child development centers (\$11 million and four child development centers more than the President's request).

### *Morale, Welfare, and Recreation (MWR)*

MWR programs continue to play an important role in the lives of U.S. service personnel and their families. The conferees included several provisions that will maintain the range and quality of MWR benefits while ensuring that they are provided in as cost-effective a manner as possible.

- **Ensuring Access to Resale Products.** In an attempt to curtail black markets around military installations, overseas base commanders have recently been restricting the sales of certain commissary and exchange items from military dependents. Although these restrictions are in response to the increasing use of counterfeit military dependent ID cards by black marketeers, such restrictions unfairly limit the product options military dependents have the right to enjoy while deployed overseas. Therefore, the conferees included a provision to require the Secretary of Defense to ensure that any restrictions on commissary and exchange product sales are consistent with the primary purpose of the resale system – providing U.S.-made goods to authorized patrons.
- **Stabilizing the DOD Resale System.** The President's budget request proposed to divest funding and management of the Defense Commissary Agency (DeCA) to each of the military services. Such a plan would negate the benefits gained several years ago when the former service commissary agencies were consolidated into DeCA, and would further strain the operations and maintenance accounts of each of the military services. Therefore, the conferees included provisions to require the Office of the Secretary of Defense to continue to manage and fund DeCA, and to prohibit DOD from consolidating military exchange and commissary operations unless specifically authorized by law.
- **Expanding Commissary Benefits.** In light of the increased frequency of missions undertaken by reserve personnel in recent years, the conferees included a provision to raise from 12 to 24 the number of days per year that certain ready reserve members and reserve retirees under the age of 60 may use commissary stores. This provision would also allow National Guard personnel to use commissaries while they are called-up for federally declared disasters.

### *Educational Initiatives*

**Impact Aid.** Ensuring that the children of military families receive a quality education remains a paramount concern. One means of addressing this priority is through the Department of Education's Impact Aid program, which provides additional funds to school districts to offset the costs of educating military children. Although assistance to local educational agencies is more properly funded through the Department of Education, Impact Aid funding has been diminished by inflation and spending reductions in recent years. Therefore, the conferees authorized \$35 million (the President's budget did not include any funding) for Impact Aid spending.

**Improving Educational Options.** Currently, when a DOD employee with children is assigned to an overseas area where DOD does not operate a school, DOD establishes a contract with a local school for their education. In an effort to enhance service members' educational options, the conferees included a provision to permit the Secretary of Defense to give the funds that would have been spent through a contract with a local school to DOD employees to use to send their dependents to the school of their choice.

### *Miscellaneous*

**Advance Reimbursement for Moving.** In an effort to improve the system by which military personnel move their household goods when transferred between assignments, the conferees included a provision to expand the "Do-it-yourself Moving" system to allow the Departments of Defense, Health and Human Services, and Transportation to provide service members with advance moving stipends. The conferees believe that this provision will allow service members to better arrange for the movement of their household goods themselves (rather than relying upon their employing agencies to do so) as well as reduce costs for the government.

**Reserve Air Travel.** The conferees recognize the increased strain on reserve service members due to increased deployments, reduced personnel, and the long distances that some reservists must travel in order to train with their units. In an effort to ease these strains, the conferees included a provision to allow reservists to use government airfares when traveling to weekend drills. Although reservists will still be personally responsible for the cost of their air travel, this provision will give them another option to obtain the lowest possible airfare.

## READINESS REALITIES

*Despite strong congressional pressure to address flaws in the services' readiness reporting systems, a significant gap remains between official reports of military readiness and the reality confronting military personnel out in the field. Although military leaders continue to portray the overall readiness of U.S. armed forces as high, growing numbers of military personnel in the field express concern that their units are continuing to slip below standards. Many of these same personnel consistently point out that "doing more with less" is undermining the readiness of U.S. military forces. Despite the dedication and high morale America has come to expect from its service members, the deteriorating readiness of today's forces is a systemic problem that limits the military's ability to effectively execute the National Military Strategy. As has been the case for each of the past three years, the conferees provided additional funds to key readiness accounts in an effort to address some of the symptoms of this problem. In addition, the conferees included a number of provisions that will improve readiness reporting, ensure that service personnel continue to receive the training they need, and help the U.S. military to continue to recruit and retain the best and brightest men and women.*

### ***Operations and Maintenance (O&M) Funding***

Despite a growing consensus that U.S. military readiness is in serious decline, the President's fiscal year 1999 budget again underfunded readiness accounts that are critical to the ability of U.S. forces to train, fight, and win wars. This lack of support has had very visible effects on America's defense: although Congress added approximately \$350 million in fiscal year 1998 to address the backlog of depot maintenance and repair, the backlog will grow by \$120.4 million in fiscal year 1999; although Congress added \$600 million in fiscal year 1998 for real property maintenance and repair accounts, this backlog will grow by \$1.6 billion in fiscal year 1999; and although Congress added over \$560 million in fiscal year 1998 for Navy and Air Force flying hour and spare parts accounts, the shortfall in fiscal year 1999 is projected to reach \$250 million. These examples are symptomatic of a systemic readiness problem: as defense resources and force structure continue to decline, and as the number, frequency, and duration of contingency operations has increased, the ability of U.S. armed forces to train for their primary warfighting missions is being compromised.

Fully funding key readiness accounts is the first step towards stopping the decline in military readiness. For the third consecutive year, the conferees added funds to the O&M accounts that most directly impact U.S. military's training and warfighting missions including the following:

- \$5.9 billion (\$151 million more than the President's request) for depot maintenance to reduce backlogs in the active and reserve components;
- \$155 million more than the President's request for aircraft spare parts;
- \$60.2 million more than the President's request for improvements to training centers;

- \$3.9 billion (\$296 million more than the President's request) for real property maintenance (RPM) to address the growing maintenance backlog for facilities, including barracks, dormitories, critical health and safety deficiencies, and mission critical operational deficiencies;
- \$177.5 million more than the President's request for the day-to-day operations at military installations; and
- \$50 million more than the President's request for Army National Guard operations and \$10 million more than the President's request for distance learning efforts of the Army National Guard.

### *Improving Readiness*

**Improving Readiness Reporting.** The contradictions between the assessments of military unit readiness as reflected in official reports and the reality confronting military personnel in the field have become increasingly hard to reconcile over the past several years. In fact, Admiral Harold Gehman, Jr., Commander in Chief of the U.S. Atlantic Command, recently noted, "What we have found, unfortunately, in most cases is the anecdotal reporting from the field turned out to be more accurate than our reporting systems in Washington, D.C.... our reporting systems don't tell us the same thing as our gut feelings and also what our people are telling us." Despite these contradictions, DOD has yet to develop a comprehensive readiness measurement system reflective of today's operational realities. Therefore, the conferees included a provision to require the Secretary of Defense to develop and implement a new readiness reporting system by January 15, 2000. The new reporting system must measure the capabilities and warfighting deficiencies of individual military units, training establishments, and defense installations on a regular basis. Furthermore, the Secretary of Defense must use these measurements to report monthly to Congress on the ability of the services to execute their wartime missions.

**Funding Key Training Centers.** Each of the military services relies upon its key training facilities to maintain and hone their combat skills. Despite the importance of such advanced training, the President's budget request did not include sufficient funds to maintain training levels at many of the key facilities. In particular, despite clear congressional guidance in the National Defense Authorization Act for Fiscal Year 1998 (Public Law 105-85), the Army failed to request fiscal year 1999 funds for operation of the pre-positioned fleet of equipment at the National Training Center (NTC) from a central account. Without central funding, unit commanders are forced to choose between using their already inadequate budgets to train at the NTC and using their funds to conduct more routine training at home station. Forcing combat commanders to make such choices is unacceptable. Therefore, the conferees once again rejected the Army's policy and authorized \$60.2 million to pay for the unbudgeted costs associated with the operation of the NTC pre-positioned equipment.

**National Guard and Reserve Construction.** The conferees authorized \$480.3 million (\$300.8 million more than the President's request) for construction to enhance the training and readiness of the National Guard and reserves, including:

- \$142.4 million for the Army National Guard;
- \$169.8 million for the Air National Guard;
- \$102.1 million for the U.S. Army Reserve;
- \$31.6 million for the Navy and Marine Corps Reserves; and
- \$34.4 million for the Air Force Reserve.

**Reserve Component Training.** In an effort to improve reserve component readiness, the conferees authorized the following additional training funds:

- \$20 million for the Army National Guard;
- \$6.7 million for the U.S. Marine Corps Reserve; and
- \$10 million for the Naval Reserve.

**Training Ammunition.** Despite congressional increases in funding last fiscal year, each of the services continues to experience shortfalls in their stocks of training ammunition. To address these shortfalls, the conferees authorized \$45 million more than the President's request to procure sufficient training ammunition to ensure that military personnel are able to maintain an adequate level of readiness and, in some cases, just the minimum level of requisite training.

### *Tools for Shaping the Force*

**Active Duty End Strengths.** The conferees supported the President's end strength request but maintained the "floors" on active duty end strength (with the ability to vary from the floors by 0.5 percent). Accordingly, the conferees authorized the following active duty end strength levels:

<b>Fiscal Year 1999 Endstrength - Active Forces</b>					
<i>Service</i>	<i>FY 1998 Authorization</i>	<i>Fiscal Year 1999</i>		<i>Change from Fiscal Year</i>	
		<i>Request</i>	<i>Conference Report</i>	<i>1999 Request</i>	<i>1998 Authorization</i>
<b>Army</b>	495,000	480,000	480,000	0	-15,000
<b>Navy</b>	390,802	372,696	372,696	0	-18,106
<b>Marine Corps</b>	174,000	172,200	172,200	0	-1,800
<b>Air Force</b>	371,577	370,882	370,882	0	-695
<b>Total</b>	1,431,379	1,395,778	1,395,778	0	-35,601

**Selected Reserve End Strengths.** The conferees authorized the following selective reserve end strengths:

<b>Fiscal Year 1999 Endstrength - Selected Reserve</b>					
<i>Service</i>	<i>FY 1998 Authorization</i>	<i>Fiscal Year 1999</i>		<i>Change from Fiscal Year</i>	
		<i>Request</i>	<i>Conference Report</i>	<i>1999 Request</i>	<i>1998 Authorization</i>
ARNG	361,516	357,000	357,223	223	-4,293
USAR	208,000	208,000	208,003	3	3
USNR	94,294	90,843	90,843	0	-3,451
USMCR	42,000	40,018	40,018	0	-1,982
ANG	108,002	106,991	106,992	1	-1,010
ASAFR	73,447	74,242	74,243	1	796
USCGR	8,000	8,000	8,000	0	0
<b>Total</b>	<b>895,259</b>	<b>885,094</b>	<b>885,322</b>	<b>228</b>	<b>-9,937</b>

**Supporting U.S. Army Needs.** In support of a request by the Army Chief of Staff, the conferees authorized an additional \$20 million to help maintain Army manpower levels throughout the year. The added funding will help to retard continuing unit manpower shortages. Furthermore, the conferees recognized the direct link between unit readiness and full-time manning and authorized an additional \$15 million to support 1,000 additional full-time support personnel to the Army Reserve.

**National Guard Full Time Support.** The conferees agree with the Army Chief of Staff's assessment that National Guard military technicians have been cut too deeply. Accordingly, the conferees authorized an additional \$27 million for the Army National Guard O&M account to restore up to 800 military technicians (dual status). These technicians are critical to maintaining the readiness of Army National Guard combat forces.

**Recruiting Challenges.** DOD continues to struggle to recruit sufficient numbers of quality men and women to serve in the military, and then to retain them beyond the first few years of service. The Army, in particular, has experienced increasing difficulty meeting its recruiting goals, despite increasing its recruiting accounts by over \$100 million over the past two years, reducing its recruit quality objectives, increasing the number of recruiters, and lowering accession goals. The Navy has also had difficulties meeting its recruiting goals this year, projecting a recruiting shortfall of well over 7,000 sailors this year. In an effort to improve the recruiting success of each of the services, the conferees took the following actions:

- **Recruiting Advertising.** In recognition of the importance of advertising to the services' recruiting efforts, the conferees authorized \$35.5 million more than the President's request for advertising (\$17.5 million for the Navy, \$12 million for the Marine Corps, \$3 million for the Air National Guard, and \$3 million for the Air Force Reserve).

- **Recruiter Support.** The conferees authorized \$3.3 million more than the President's request for the Navy for basic recruiter expenses (e.g., computers, brochures, other marketing supplies, etc.).
- **Enlistment Bonuses.** Enlistment bonuses have traditionally made a noticeable difference in attracting recruits to the military. Accordingly, the conferees authorized \$22.4 million more than the President's request for enlistment bonuses (\$9.4 million for the Navy, \$3 million for the Marine Corps, and \$10 million for the Army). In addition, the conferees increased the maximum bonus for enlistment in the Army from \$4,000 to \$6,000.
- **College Fund.** The College Fund provides an important incentive for many recruits – money for education after leaving the military. In support of this program, the conferees authorized \$19.8 million more than the President's request (\$13.9 million for the Navy and \$5.9 million for the Marine Corps). In addition, reflecting concern that the existing College Fund maximum is insufficient to attract recruits in light of the rapidly rising costs of education, the conferees included a provision to increase the maximum payment earned from \$40,000 to \$50,000.
- **High School Diploma Equivalency Pilot Program.** The conferees included a provision to require the Secretary of Defense to establish a pilot program to permit participants in a National Guard Youth Challenge Program who receive General Education Development (GED) and recipients of home school diplomas to enlist in the Armed Services as if they had received high school diplomas. Under the program, up to 5,000 GED and home school diploma recipients may be enlisted annually through September 30, 2003. Upon completion of the pilot program, the provision requires the Secretary of Defense to report to Congress on the value of the program.
- **Youth Programs.** In support of the National Guard's youth programs, the conferees authorized \$50 million (\$21.5 million more than the President's request) for the National Guard Youth Challenge program and \$5 million (the President did not request any funds) for the STARBASE (Science and Technology Academies Reinforcing Basic Aviation and Space Exploration Program) program.

## BUILDING TOMORROW'S MILITARY

*For the fourth consecutive year, DOD's modernization budget fell dramatically short of the \$60 billion that former Chairman of the Joint Chiefs of Staff General Shalikashvili testified the military needs each year to update its aging force. Even more disturbing is the continuing trend of Presidential budget requests for modernization that are billions less than they were forecast to be during the previous year – a trend indicative of the Administration's continued mortgaging of the future by cutting necessary modernization programs to address underfunded readiness accounts in the short-term. The President's fiscal year 1999 procurement budget request of \$48.7 billion is \$2 billion less than it was projected to be one year ago, and the forecast for the fiscal year 2000 request is an additional \$2.9 billion below what was projected last year. This pattern of delaying modernization increases has taken a toll on the U.S. military – weapons and equipment are reaching the ends of their effective service lives, wearing out because of today's high pace of operations, or simply becoming obsolete. Particularly illustrative of the situation is the rapidly shrinking U.S. Navy. According to Navy Secretary Dalton, "We need to start building nine or 10 ships a year starting in 2003 to maintain a 300 ship Navy." Unfortunately, the President's future budgets only provide sufficient funds to build six ships per year, a total that will shrink the U.S. Navy to a 220 ship force by 2015, and below the 200-mark by the late 2020s.*

*This year, the conferees authorized \$49.5 billion for procurement, and \$36 billion for research and development accounts.*

### ***Ballistic Missile Defense Organization (BMDO)***

The recent report of the Commission to Assess the Ballistic Missile Threat to the United States (i.e., the Rumsfeld Commission) delivered the most serious national security warning the American people have received since the Cold War. Among its most startling conclusions, the Commission reported that the ballistic missile threat to the United States is, "broader, more mature, and evolving more rapidly than it has been reported in estimates and reports by the intelligence community." Since the Rumsfeld Commission issued its report, its conclusions have been repeatedly reemphasized by world events – just one week after the Commission released its report, Iran flight tested the Shahab-3 medium range ballistic missile. Just a few weeks later, North Korea tested a new ballistic missile with sufficient range to attack U.S. forces stationed in Japan, and possibly parts of Hawaii and Alaska as well. These events, as well as the Rumsfeld Commission, underscore the critical need for the United States to move ahead with the development and deployment of cost-effective missile defenses. Accordingly, the conferees authorized \$3.5 billion for BMDO, a total that includes an additional \$262 million for key BMDO accounts. Highlights include:

- **Atmospheric Interceptor Technology (AIT)**. The conferees authorized \$46.5 million (\$22 million more than the President's request) for the AIT program, which develops advanced components of hit-to-kill vehicles.

- **Cooperative Programs.** The conferees continue to support cooperative international BMD programs and authorized \$62.7 million for these efforts. This total includes \$49.9 million (\$12 million more than the President's request) for the U.S./Israel Arrow project and \$12.8 million for Russian-American cooperative BMD projects (matching the President's request).
- **National Missile Defense (NMD).** The conferees authorized \$950.5 million for NMD, matching the President's request. In addition, the conferees included a provision to express the sense of Congress that any deployed NMD system should protect all 50 states and all U.S. territories.
- **Space Based Laser (SBL).** The conferees authorized \$187.8 million (\$94 million more than the President's request) for SBL, to demonstrate technologies for a space-based platform that would destroy ballistic missiles with a high-powered laser.
- **Theater Missile Defense (TMD).** The recent discovery that North Korea has deployed and Iran is developing and testing medium-range ballistic missiles is of great concern not only because of the threats posed by these missiles, but also because currently-fielded U.S. TMD systems are not capable of adequately countering these advancing threats. This past March, the House passed by voice vote H.R. 2786 – the Theater Missile Defense Improvement Act – indicating strong support for accelerating TMD system development. In line with this support, the conferees authorized:
  - \$310.4 million (\$120 million more than the President's request) for the Navy's Theater Wide program. Of this increase, \$50 million would allow the Navy to upgrade its ship-borne radar to better perform the TMD mission;
  - \$289.1 million (matching the President's request) for development and procurement of the Navy Area Defense program;
  - \$480.5 million (matching the President's request) for research and development and procurement of the Patriot Advanced Capability-Configuration 3 (PAC-3);
  - \$527.4 million (\$294.3 million less than the President's request) for the Theater High Altitude Air Defense (THAAD) program. This reduction is in response to the most recent THAAD test failure. Of the total authorized, the conferees targeted \$29.6 million for procedures to encourage price and technical competition on the THAAD interceptor missile; and
  - \$24 million (\$19 million less than the President's request) for the Medium Extended Air Defense System (MEADS). Reflecting their disappointment that the Secretary of Defense has not identified the future year funding necessary to proceed with the program, the conferees included a provision that prohibits the expenditure of authorized

funds unless the Secretary of Defense certifies that MEADS development will be funded in the future years defense plan. If the certification is not submitted by January 1, 1999, MEADS funds may be used for alternative approaches to developing a mobile TMD system.

### *Aircraft Programs*

**Airborne Laser (ABL).** The conferees continue to support the ABL program, a theater missile defense deployment program to use a laser carried aboard a large aircraft to destroy ballistic missiles. However, responding to concerns about the pace and technical maturity of the program, the conferees authorized \$235.4 million (\$57 million less than the President's request) for the ABL program.

**Bomber Modernization.** The Long Range Airpower Review panel recently recommended that the Administration and Congress fully support upgrades to the current U.S. bomber fleet. The conferees support this conclusion and believe that upgrades to the entire fleet are a priority. Therefore, the conferees authorized \$275.9 million for post production support of the B-2 bomber fleet (\$86 million more than the President's request).

**E-8C Joint Surveillance and Target Attack Radar System (Joint STARS).** Joint STARS is an E-8C aircraft equipped with a long-range, air-to-ground surveillance system designed to locate, classify and track ground targets in all weather conditions. The QDR recommended reducing procurement of Joint STARS aircraft from 19 to 13, based on the assumption that the North Atlantic Treaty Organization (NATO) would select Joint STARS as its ground surveillance aircraft and purchase six of the aircraft. When NATO did not select Joint STARS for its fleet, DOD did not update the QDR's recommendation. To address this shortfall, the conferees authorized \$72 million for advance procurement of two Joint STARSs.

**EA-6B Prowler.** As both the Navy and Air Force's primary electronic warfare aircraft, the Prowler protects U.S. aircraft and ships by jamming enemy radar and communications. However, today's fleet of EA-6Bs is not equipped to counter a new family of target acquisition radars, employed by potential adversaries that operate in frequencies beyond the EA-6B's current jamming capabilities. Therefore, the conferees authorized \$100.7 million (\$25 million more than the President's request) for modifications to the EA-6B to improve the aircraft's ability to jam enemy radars.

**F-15 Eagle.** The conferees authorized \$241.6 million (\$45 million more than the President's request) for F-15 modifications and upgrades. These upgrades will provide increased engine safety, reliability, and performance, and improve internal countermeasures systems – allowing the F-15 to remain the Air Force's primary air superiority fighter until the F-22 enters service in the next decade.

**F-16 Falcon.** In an effort to reduce the Air Force's identified shortfall of 40 F-16C aircraft for attrition reserve, Congress has added funds to the President's request to procure 15 additional F-16C aircraft over the past three fiscal years. To continue reducing the attrition reserve shortfall, the conferees authorized \$25 million (the President did not request any funds) to procure one additional F-16C aircraft.

**F/A-18E/F Super Hornet.** The F/A-18E/F was designed to replace the recently retired A-6, the fleet of F-14s and to supplement existing F/A-18C/Ds as the Navy's aviation strike aircraft. The conferees authorized \$2.9 billion to procure 30 Super Hornets (\$14 million less than the President's request).

**Joint Strike Fighter (JSF).** The JSF is planned to be a next-generation multi-role combat aircraft based on a common airframe and components for use by the Air Force, Navy, and Marine Corps. The conferees authorized \$478.4 million (\$15 million more than the President's request) for Navy JSF development and \$456.1 million (matching the President's request) for Air Force JSF development. The additional authorization will fund alternative engine development for the JSF program.

**KC-130J Hercules.** The conferees authorized \$112.4 million (the President did not request any funds) to procure two KC-130Js for the Marine Corps. The J-version aircraft will phase out the Marine Corps' old KC-130Fs, which are approaching 40 years of service and are the oldest aircraft in the Marine Corps inventory.

**T-6A TEXAN II.** The T-6A will replace the Air Force T-37 and the Navy T-34 as the primary pilot training aircraft for both services. The conferees authorized 22 Air Force T-6A aircraft (\$9.1 million and three aircraft more than the President's request).

**V-22 Osprey.** The conferees authorized \$742.8 million for eight V-22s (\$78 million and one aircraft more than the President's request). The additional V-22 reflects the recommendations of the QDR and was included in the Marine Corps Commandant's unfunded priorities list for fiscal year 1999. The Osprey will replace the Marine Corps' aging fleet of CH-46 Sea Knight helicopters as its primary means of transporting Marines and their equipment into combat by air.

### *Helicopters*

**OH-58D Armed Kiowa Warrior.** The conferees authorized \$53.4 million (\$13 million more than the President's request) for safety enhancements (including crash-worthy crew seats, an air bag body and head restraint system, and upgraded engines) to the Kiowa Warrior since these helicopters will remain in the Army's inventory until the RAH-66 Comanche is deployed early next century.

**RAH-66 Comanche.** The Comanche began development in 1982 to fulfill the Army's requirement for an armed reconnaissance helicopter. While warfighting experiments at the National Training Center

validated the future need for the Comanche, funding reductions in past years have limited the Army to a single Comanche prototype. Such a limited approach to development of an advanced aircraft is short-sighted and presents an unacceptable risk. Therefore, the conferees authorized \$392 million (\$24 million more than the President's request) to accelerate the fielding of a second Comanche prototype, development and inclusion of the full mission capability, and for a more robust testing program that will allow the Army to field Comanche, along with the first digitized corps, in 2004.

**UH-60 Blackhawk.** The conferees authorized \$285.2 million (\$66.4 million more than the President's request) for a total of 30 UH-60 Blackhawks (eight more than the President's request).

### *Munitions*

**Precision-Guided Munitions (PGMs).** As Desert Storm, recent strikes against Iraqi surface-to-air missile sites, and the recent cruise missile attacks in retaliation for the terrorist bombings of U.S. embassies in Kenya and Tanzania demonstrated, PGMs remain critically important munitions that reduce the risk to U.S. forces and increase the effectiveness of weapons platforms that carry them. Therefore, the conferees authorized:

- \$6.4 million (\$4.5 million more than the President's request) to develop and test precision guided mortar munitions (PGMMs);
- \$29.1 million (\$4.5 million more than the President's request) to develop advanced weapons and munitions technology. Conferees also authorized an additional \$5 million elsewhere for the trajectory correctable munitions (TCM) program, which would extend the range and accuracy of both current and future artillery platforms;
- \$336 million (\$16 million more than the President's request) to continue the accelerated fielding of over 3,500 Javelin anti-tank missiles for the Army and the Marine Corps;
- \$132.9 million (matching the President's request) for development of the Joint Air-to-Surface Standoff Missile (JASSM);
- \$5.2 million (matching the President's request) for development of the Standoff Land Attack Missile – Expanded Response (SLAM-ER), the system that will meet the Navy's requirement for an advanced air-launched, standoff land attack system. In addition, the conferees authorized \$39.5 million (matching the President's request) for conversion of 54 existing missiles to the SLAM-ER configuration; and
- \$11.3 million (matching the President's request) for development, risk reduction, and analytical activities leading to a defense acquisition milestone decision for the missile system program to satisfy the Navy's land attack missile requirement. In addition to the land attack missile, the

conferees also authorized \$87.1 million (\$11.6 million less than the President's request) for other land attack technology development, including \$15.2 million to begin development of an advanced gun system for the DD-21 land attack destroyer.

### *Naval Programs*

**CVN-77 and CV(X).** In accordance with Congress' actions last year, the conferees increased research and development funds for the CVN-77 by authorizing \$88.5 million (matching the President's request) for development of CVN-77. Due to changes in the Navy's acquisition strategy for the CV(X), the conferees authorized \$110 million (\$80 million less than the President's request) for development of CV(X), and included a provision to make \$50 million of funds for development of CV(X) technologies available for development of technologies for insertion into CVN-77. Finally, the conferees authorized \$124.5 million (matching the President's request) in advance procurement for CVN-77.

**DD-21 Land Attack Destroyer.** Since battleships are no longer part of the active Navy force, the Navy has been limited in its land attack capabilities. To fill this role, the Navy is developing the DD-21 Land Attack Destroyer. The conferees support a competitive acquisition strategy that will encourage contractors to use technology, creativity, and competition to develop the best possible ship, and authorized \$85 million (matching the President's request) for development of the DD-21.

**DDG-51.** The conferees authorized \$2.7 billion (matching the President's request) for three DDG-51s, the Navy's newest guided missile destroyer.

**Landing Craft Air Cushion (LCAC).** The LCAC is the Navy and Marine Corps' only high-speed, heavy-lift system to allow the conduct of over-the-horizon amphibious operations. However, serious corrosion problems are threatening the LCACs' 20 year operational life expectancy. Consistent with the Marine Corps Commandant's priorities, the conferees authorized \$16 million (the President did not request any funds) to accelerate the service life extension program.

**Large Medium Speed Roll-on Roll-off (LMSR) Sealift Ship.** The conferees authorized \$251.4 million (matching the President's request) for the 19<sup>th</sup> and final LMSR sealift ship.

**LHD-8.** The Navy plans to conduct a service life extension program (SLEP) overhaul on its *Tarawa* class of amphibious assault ships (LHAs) at a cost of \$1 billion per SLEP. However, even after undergoing SLEP overhauls, LHAs will have much less storage and deck space, thereby limiting their ability to carry 21<sup>st</sup> century littoral warfare systems such as the LCAC and the MV-22 Osprey tilt-rotor aircraft. Recognizing this fact, the conferees authorized \$50 million (the President did not request any funds) for procurement of long lead materials for the construction of LHD-8 in lieu of a future SLEP on LHA-1.

**LPD-18.** The conferees authorized \$638.8 million (matching the President's request) for advance procurement of the LPD-18, the second in the new *San Antonio* class of amphibious transport dock ships.

**New Attack Submarine (NSSN).** The conferees authorized \$2 billion (matching the President's request) to procure the Navy's second NSSN. In addition, the conferees authorized \$314 million (\$14 million more than the President's request) for NSSN development. The NSSN is intended to be a cost-effective, highly-capable class of submarines that will replace the aging *Los Angeles* class submarines.

### *Ground Weapons and Vehicles*

**Advanced Amphibious Assault Vehicle (AAAV).** The conferees authorized \$108.8 million (\$4 million more than the President's request) for continued development of the AAAV. The AAAV will be a high waterspeed, amphibious, armored personnel carrier that will replace the Marine Corps' aging fleet of amphibious assault vehicles.

**Crusader Self-Propelled Howitzer.** At its conception, the Army intended Crusader to be a state-of-the-art, 155 millimeter, self-propelled howitzer that would replace the Paladin system in tomorrow's force. However, as program design progressed, the elements that made the Crusader a state-of-the-art weapons system were removed from the program, raising questions about its viability in tomorrow's fighting environment. These questions prompted the conferees to require the Secretary of the Army to reassess Crusader and to report to Congress on various aspects of the program. In addition, the provision limits the Secretary of the Army from spending more than \$223 million of the total \$313.2 million authorized (matching the President's request) for Crusader until 30 days after Congress receives this report.

**High Mobility Multi-Purpose Wheeled Vehicle (HMMWV).** The conferees authorized \$77.8 million (\$65.7 million more than the President's request) to procure new HMMWVs for the Army and \$72.8 million (\$33.5 million more than the President's request) for new HMMWVs for the Marine Corps. These additional vehicles were unfunded priorities of both the Army Chief of Staff and the Marine Corps Commandant. As such, they will fill outstanding requirements for the Army, and will replace obsolete HMMWVs for the Marine Corps.

**Lightweight Howitzer.** The lightweight 155mm-towed howitzer will be the Marine Corps' sole artillery weapon once it replaces the aging M198 Howitzer. The program has completed one year of a three-year engineering and manufacturing development program, and requires additional funding to test and evaluate various new technologies. Therefore, the conferees authorized \$39.6 million (\$2.5 million more than the President's request) for this program.

**Night Vision Equipment.** The services continue to underfund procurement of critically important night vision devices even after they have proved highly successful in major recent exercises, such as the

Army's Advance Warfighting Experiments. Therefore, the conferees authorized \$43.1 million (\$13.5 million more than the President's request) for procurement of night vision equipment for the Army and \$45.3 million (\$33.7 million more than the President's request) for Marine Corps ground and aviation night vision requirements.

### *Innovative Technologies*

**Advanced Low Observable Coatings.** Recently developed coatings that may be applied to military equipment and weapons platforms to reduce the battlefield signatures represent a low-cost, highly-adaptable approach to increasing the survivability of U.S. personnel and equipment in combat. In addition to supporting the President's request of \$21 million for advanced weapons systems materials, the conferees authorized an additional \$9 million for development of advanced low observable coatings.

**Communications and Electronics Infrastructure Upgrades.** The Marine Corps is currently implementing a major upgrade of its base telecommunications infrastructure to meet its future world-wide command and control needs. As part of this upgrade, the Commandant of the Marine Corps identified additional computer hardware necessary to meet year 2000 (Y2K) compliance requirements as a top unfunded priority in fiscal year 1999. Accordingly, the conferees authorized \$121.9 million (\$64.0 million more than the President's request) to accelerate Marine Corps base telecommunications upgrades and for procurement of Y2K compliant computers.

**Cooperative Engagement Capability (CEC).** The Navy's CEC program will integrate sensor data from multiple ships and aircraft into a single, real-time depiction of the battlefield. During the conference, the Navy informed conferees that operational tests of the CEC and Advanced Combat Direction Systems revealed interoperability problems. As a result, the conferees authorized \$157.6 million (\$26 million more than the President's request) for research and development of CEC, and \$82.3 million (\$35 million more than the President's request) to procure additional CEC systems. In addition, the conferees directed the Secretary of the Navy to provide quarterly updates on interoperability problems and planned solutions.

**Defense Manufacturing, Technology Program (MANTECH).** The MANTECH program integrates new manufacturing technologies into basic components of military machinery and weapons. The resulting improvements have the potential to cut the cost, weight, and complexity of many of DOD's equipment and weapons. MANTECH has developed advanced manufacturing processes for optical components and systems, munitions and electronic components, and sophisticated structures and parts. In support of this program, the conferees authorized \$188.6 million (\$21.8 million more than the President's request) for MANTECH programs.

**Next Generation Internet (NGI).** The Defense Advance Research Projects Agency (DARPA), the National Science Foundation (NSF), the Department of Energy (DOE), the National Institute of Science and Technology (NIST), and National Aeronautics and Space Administration (NASA) have teamed together on a three-year, \$100 million per year program to develop a next-generation internet

of high speed networks that are 100 to 1000 times faster than today's internet. For America's military, NGI would permit secure, high performance, global communications and advanced information networks. The conferees continue to support the NGI initiative and authorized \$53 million (\$13 million more than the President's request) for the program.

### *National Guard and Reserve Equipment*

The conferees authorized \$2.1 billion (\$745 million more than the President's request) for National Guard and reserve component modernization. Highlights include:

- **C-/EC-/WC-130J Aircraft.** The conferees authorized \$276.4 million for four C/EC/WC-130J aircraft for the Guard and Reserve (the President did not request any funds). These funds will purchase one EC-130J (Air National Guard Special Operations variant), one WC-130J (weather reconnaissance variant for the Air Force Reserve), and two C-130Js;
- **Bradley Fighting Vehicle Modifications.** Currently, both the Army and the Army National Guard (ARNG) rely upon the Bradley as their primary infantry fighting vehicle. Although the active Army will soon enter full production to upgrade its Bradley fleet, the ARNG continues to rely upon first-generation vehicles that, because of their lack of survivability, will never be taken into combat. Therefore, the conferees authorized \$70 million (the President did not request any funds) to upgrade ARNG Bradley vehicles to combat-capable specifications. In addition, the conferees supported the President's request for \$286 million to upgrade active-Army Bradleys;
- **Family of Medium Tactical Vehicles (FMTV).** The conferees authorized \$374.5 million (\$42.5 million more than the President's request) for the procurement of additional FMTV medium trucks for the ARNG. These vehicles were a priority in the Army Chief of Staff's unfunded requirements and will enable the ARNG to fulfill critical combat support and combat service support missions for the Army;
- **KC-135 Reengining Kits.** The conferees authorized \$46 million (the President did not separately request any funds) to reengine two KC-135E tankers;
- **Multiple Launch Rocket System (MLRS).** The conferees authorized \$130.4 million (\$45 million more than the President's request) to procure additional MLRS launchers for the ARNG. Although the ARNG is responsible for providing nearly 70 percent of the Army's artillery fire support, it currently suffers shortfalls in MLRS launchers;
- **Single Channel Ground and Airborne Radio System (SINCGARS).** The conferees authorized \$63.2 million (\$50 million more than the President's request) for procurement of SINCGARS, the Army's voice and data communications radio for tactical units, to fulfill the critical requirements of the ARNG. These additional radios, which were a top priority on the

Army Chief of Staff's unfunded requirements list, will enable the ARNG to upgrade its current version of SINCGARS, allowing it to play an integral role in the Army's Force XXI digitization effort;

- **UH-60 Blackhawk Helicopters.** In support of one of the Army Chief of Staff's top unfunded priorities, the conferees authorized \$66.4 million for eight Blackhawks for the Army National Guard (ARNG), in addition to the 10 requested by the President. This \$66.4 million increase is in addition to the President's request of \$218.8 million for 22 helicopters; and
- **Miscellaneous Equipment.** The conferees authorized \$60 million (the President did not separately request any funds) to modernize miscellaneous National Guard and reserve component equipment.

### *Safety and Survivability*

**Aircraft Protection Systems.** Many of the Air Force's passenger and cargo carrying aircraft currently operate without state-of-the-art collision and terrain avoidance systems. Both the Traffic Alert and Collision Avoidance System (TCAS) and the Enhanced Ground Proximity Warning System (EGPWS) offer substantial protection to aircrews and other military personnel flying in Air Force aircraft. To enhance the safety of military air traffic, the conferees authorized \$150.6 million (\$50 million more than the President's request) to accelerate TCAS and EGPWS installation in Air Force aircraft.

**Aircraft Survivability Equipment Trainer IV (ASET IV).** The continuing spread of anti-aircraft weapons around the world places a premium on teaching U.S. aircrews to recognize, avoid, and counter ground-to-air threats. The ASET IV system has proven to be a particularly effective teaching tool, although the system is in need of upgrades. To ensure that aircrews are able to train in realistic environments, the conferees authorized \$6.4 million (the President did not request any funds) for ASET IV upgrades.

**C-12 Modifications.** The C-12 is one of the Army's primary passenger-carrying aircraft, and is expected to remain in service for at least the next 20 years. Because the majority of the Army's existing aircraft were purchased in the 1970s and 1980s, they are equipped with avionics and navigation equipment that is obsolete today. To ensure safe operations, the conferees authorized \$9.2 million (\$6.5 million more than the President's request) for C-12 avionics and cockpit upgrades.

**Chemical-Biological Defense.** As the threat posed by the proliferation of chemical and biological weapons in the post-Cold War world continues to grow, so does the need for an integrated chemical-biological defense research and development program that encompasses the requirements of all the military services and defense agencies. Therefore, the conferees authorized \$433 million (\$8.5 million

more than the President's request) for research and development and \$284 million (matching the President's request) for procurement of chemical-biological defense equipment.

**Ejection Seat Improvements.** The conferees authorized \$27.8 million (\$3 million more than the President's request) to develop improvements in aircraft ejection seats and to research alternative technologies to further protect aircrews should they be required to eject from an aircraft, and \$3 million for development of a dynamic test facility for aircraft ejection systems.

**Shortstop Electronic Protection System (SEPS).** SEPS is an electronic "umbrella" that detects and causes detonation of incoming artillery, mortar, and rocket rounds before they reach friendly troops and facilities. Despite testing successes, the Army did not include funding for SEPS in its budget request. Therefore, the conferees authorized \$13 million to procure and field SEPSs in Korea and Kuwait.

## REFORM

*DOD remains one of the world's largest bureaucracies – one that costs American taxpayers billions of dollars every year to perform basic support and administrative functions. The fiscal year 1998 Defense Authorization Act, along with Secretary Cohen's Defense Reform Initiative (DRI), introduced a range of aggressive reforms. However, much streamlining remains to be done. Failure to reprioritize scarce defense resources from administrative "overhead" accounts into modernization, readiness, and quality of life programs will threaten the future viability of the U.S. military. Therefore, the conferees included several provisions to continue Pentagon reform efforts.*

**Management Headquarters.** Despite downsizing the U.S. defense force by hundreds of thousands of personnel since the end of the Cold War, the Pentagon's management staff remains disproportionately large. In an effort to restore balance to today's "top-heavy" Pentagon, Congress included a provision in the National Defense Authorization Act for Fiscal Year 1998 that established a schedule for DOD to cut its management headquarters staff (including, but not limited to, the offices of the Secretary of Defense and the service secretariats, the headquarters elements of the Defense Agencies and functional activities such as the various service acquisition organizations, and portions of departmental support activities such as the Washington Headquarters Services) and required DOD to report to Congress on plans to reform management headquarters and headquarters support activities. To this date, DOD has not met the schedule enacted into law last year. Although the President's budget proposed the repeal of this law, the conferees rejected the request and included a provision to withhold 10 percent of fiscal year 1999 funds for the Office of the Secretary of Defense until the Department complies with all statutory reporting requirements on the matter.

**Acquisition Workforce Reductions.** Continued downsizing of the defense acquisition infrastructure remains necessary to allow additional resources to be reallocated to more pressing personnel, readiness, and modernization needs. Therefore, the conferees included a provision requiring a 25,000-person acquisition workforce reduction by October 1, 1999. However, the provision permits the Secretary of Defense to cut as few as 12,500 acquisition personnel if he certifies to Congress that a greater reduction would undermine military readiness or the cost-effective management of the defense acquisition system.

**Advisory and Assistance Services (AAS).** In recent years, DOD has increasingly relied upon the private sector to provide consulting services, which DOD calls "advisory and assistance services." Recent GAO analyses have raised concerns that DOD has been significantly underreporting its AAS expenses. In addition, DOD has increasingly categorized AAS expenses in "miscellaneous services" accounts, making it difficult for Congress to conduct proper oversight of these programs raising further concerns that DOD may be understating the true size of its AAS program. Therefore, the conferees

reduced AAS accounts by \$240 million from AAS accounts and included a provision to prohibit DOD from classifying more than 30 percent of its AAS expenses as "miscellaneous" in its fiscal year 2000 budget request, and no more than 15 percent in following years. These actions will allow Congress to more effectively oversee AAS accounts and will help keep future AAS costs to a more reasonable level.

**Automatic Document Conversion Technology.** The use of computer software to convert weapons systems engineering drawings from paper to electronic documents has the potential to reap significant savings. Consistent with the DRI's goal of using technology to create and take advantage of efficiencies, the conferees authorized \$15 million (the President did not request any funds) for continuation of this technology. In addition, the conferees authorized \$25 million (the President did not request any funds) to purchase Automatic Document Conversion System (ADCS) hardware and software.

**Eliminating Assistant Secretary of Defense Positions.** In continuation of initiatives to downsize DOD bureaucracy that were included in the fiscal year 1998 Defense Authorization Act, the conferees included a provision to reduce the number of assistant secretaries of defense from 10 to nine.

**Non-Mission Costs.** The conferees are concerned by the growing gap between the level of defense resources dedicated to mission-oriented activities and the level of resources dedicated to administration, management, logistics, and basic support. According to GAO, DOD will spend nearly 60 percent of its budget on non-mission activities from fiscal year 1997 through 2001. In an effort to more closely monitor these types of costs, the conferees included a provision to require the Secretary of Defense to annually report to Congress on the personnel and budgetary resources dedicated to non-mission activities as compared to mission related activities.

## OTHER INITIATIVES

### *Counter-drug Activities*

The conferees strongly support the vital role the military plays in the nation's drug interdiction strategy. Accordingly, they fully funded the President's \$882.8 million request. However, as the conferees believe the President's budget failed to properly prioritize key programs in the nation's war on drugs, they made the following reallocations:

- **Operation Caper Focus.** The conferees authorized \$10.5 million (the President did not request any funds) to restart Operation Caper Focus – a military operation aimed at stopping large cargo ships from delivering drugs into the United States via the eastern Pacific Ocean. The President's budget dramatically reduced the funding necessary to shut down this "transit zone," even though significant amounts of drugs continue to flow through this region;
- **National Guard Flexibility.** The conferees reprioritized \$29 million within the counter-drug account to emphasize higher priority programs of the National Guard such as marijuana eradication and intelligence analysis in support of domestic law enforcement agencies;
- **Interdiction Maritime Patrols.** The conferees earmarked \$14.5 million to increase deployment of the Navy's Cyclone Class Patrol Coastal Craft (PCs) to the Caribbean and eastern Pacific, and to fund important upgrades such as forward looking infrared devices and combat craft recovery systems; and
- **Improving Military-Law Enforcement Ties.** The conferees recognize the important link between military and domestic law enforcement entities in combating the flow of illegal drugs into the United States. Accordingly, the conferees added \$7 million to the President's request for National Guard training of local law enforcement personnel and improved law enforcement communications.

### *Department of Energy (DOE) Funding Levels*

DOE maintains many programs integral to America's national defense, including production and protection of nuclear materials and management of radioactive defense waste and environmental restoration. In total, conferees authorized \$12 billion (\$330 million less than the President's request) for DOE programs.

**DOE Defense Programs.** The conferees authorized \$4.5 billion (\$2 million less than the President's request) for DOE defense programs. This total includes \$4.3 billion in new budget authorization, and

specific authorization to use \$178.9 million of funds appropriated in past years that have not yet been spent. Key DOE defense authorizations include:

- **Accelerated Strategic Computing Initiative (ASCI) and Stockpile Computing Program.** ASCI remains the centerpiece of the Administration's science-based stockpile stewardship effort to maintain the safety and reliability of U.S. nuclear weapons without nuclear tests. The conferees remain concerned by technical difficulties and the large increase in the President's funding request for the ASCI program. Therefore, the conferees authorized \$487 million (\$30 million less than the President's request) for ASCI and the Stockpile Computing Program. Despite the reduction from the request, this total represents a \$112.9 million increase over current fiscal year 1998 spending, and will keep the ASCI program on a aggressive, but reasonable pace;
- **Ballistic Missile Defense Research.** The conferees authorized \$30 million for research to improve reliability and reduce risk on hit-to-kill interceptors used in ballistic missile defense (BMD) and to support science and engineering teams to address BMD technical problems;
- **Office of Naval Reactors.** The conferees authorized \$681.5 million (\$16 million more than the President's request) for the Office of Naval Reactors, and to allow the efficient shut down and environmental clean-up of surplus facilities;
- **Production Complex.** The DOE production complex embodies the manufacturing capabilities required to sustain a safe, reliable, and effective nuclear stockpile. The tasks performed at weapons manufacturing sites remain challenging, and the conferees are concerned that requested funding levels are inadequate to address the expanding requirements. Therefore, the conferees authorized \$58.5 million in addition to the President's request for various production programs. This total includes \$25 million for weapons surveillance, maintenance, and disassembly performed at the Pantex plant in Texas, \$15.5 million to support advanced manufacturing efforts at the Kansas City Plant, \$13 million to support upgrades at the Y-12 plant in Tennessee, and \$5 million to support infrastructure and maintenance activities at the Savannah River Site;
- **Stockpile Stewardship and Management Construction Projects.** The conferees authorized \$485.1 million (\$30 million less than the President's request) for a variety of construction projects at the national laboratories and production sites. This reduction reflects recent delays and technical difficulties in some construction projects; and
- **Tritium Production.** The conferees authorized \$177 million (\$20 million more than the President's request) for tritium production. These additional funds will sustain the design team that is developing an accelerator to produce tritium. In addition, the conferees included a provision to prohibit implementation of any Administration decision on a primary tritium pro-

duction technology for one year to ensure that Congress has a full opportunity to consider the proliferation, technical, and cost risks associated with each option.

**Department of Energy Environmental Management Programs.** The conferees authorized \$5.7 billion for DOE's environmental clean-up and management programs. This total includes \$5.6 billion in new budget authorization, and specific authorization to use \$94.1 million of funds appropriated in previous years that have not yet been spent. The conferees authorized the following for DOE's environmental management program:

- \$1 billion (\$32 million more than the President's request) for the Defense Facilities Closure Project. By providing additional funding for this program, DOE will be able to accelerate the closing of facilities that are nearing clean-up completion, thus reducing the maintenance costs of the overall nuclear complex;
- \$1.1 billion (\$20 million more than the President's request) for construction of clean-up facilities and site completion at complexes that DOE will close by 2006;
- \$2.7 billion (\$71 million more than the President's request) for construction of clean-up facilities and project work at facilities with extensive environmental issues that DOE will close after 2006;
- \$254.9 million (\$262 million less than the President's request) for Defense Environmental Management Privatization. This total reflects a reduction of \$230 million for the Hanford Tank Waste Remediation System project which, due to the 18 to 24 month delay within the program, can be deferred without any programmatic impact; and
- \$250.8 million (\$57 million more than the President's request) for the Defense Environmental Restoration and Waste Management Science and Technology program, which develops new technologies for nuclear waste clean-up.

**DOE Personnel Provisions.** The conferees included a number of provisions to allow DOE to reorient their workforce to address serious environmental problems within the DOE national complex. These provisions include:

- a requirement that the Secretary of Energy submit a plan to improve the hiring system used by DOE's Environmental Management programs. This provision reflects the conferee's belief that DOE's poor record with regards to environmental management is due in part to failures in hiring quality technical and management personnel;
- extension of DOE's authority to hire scientific, engineering, and technical personnel through a streamlined process;

- an increase in the Senior Executive Service pay level that DOE may offer senior scientific, engineering, and technical personnel to attract talented individuals to work on DOE's environmental management programs;
- extension of DOE's authority to offer voluntary separation incentive payments ("buy outs") to targeted job and skill categories that are no longer needed, allowing DOE to reshape its workforce to support mission areas that are now in need of increased staffing; and
- authorization of \$89 million (\$15 million more than the President's request) for the defense component of the Office of Environment, Safety, and Health to ensure that the workforce at current and former weapons production sites are sufficiently protected. The Administration's budget request would have reduced funding for the Office of Environment, Safety, and Health, jeopardizing the physical well-being of DOE defense-related employees, people living near DOE defense-related facilities, and the environment.

### *International Affairs*

**Satellite Export Controls.** In light of concerns that recent exports of U.S. commercial communications satellites for launch by the People's Republic of China (PRC) may have damaged U.S. national security, the conferees included a number of provisions to:

- transfer jurisdiction for the licensing of satellites from the Commerce Department back to the State Department, which had jurisdiction over licensing until 1996;
- prohibit the export of missile equipment or technology to the PRC unless the President certifies that the export will not be detrimental to the U.S. space launch industry and will not measurably improve the PRC's missile or space launch capabilities;
- strengthen national security controls over the export of U.S. satellites by mandating improved monitoring, reporting, and technology transfer control plans with respect to the launch from a foreign country of U.S. satellites;
- increase congressional visibility in the satellite export process by requiring the President to submit to Congress a detailed justification of any Tiananmen sanctions waiver granted for the export of a satellite to China;
- restrict the activities of Chinese military-owned firms operating in the United States through the application of broad economic regulatory powers of the International Economic Emergency Powers Act; and

- express the sense of Congress that U.S. business interests should not be placed above U.S. national security interests, the export of advanced communications satellites and technologies should not increase the risk to U.S. national security, there should be no blanket waiver of Tiananmen sanctions for the export of U.S. satellites to China, and the U.S. should not export missile equipment or technology to China that would improve China's missile or space launch capabilities.

**Department of Defense Export Control Function.** The conferees believe that the role and effectiveness of the Department of Defense in stopping the flow of sensitive technologies to proliferant or adversary nations has been significantly and improperly reduced over the years. Accordingly, the conferees included a provision to create a new senior position within the Office of the Secretary of Defense charged with overall responsibility for the Department's technology security function. This individual would be also designated as the director of the Defense Technology Security Administration (DTSA), the existing Pentagon organization charged with export control policy. Establishing this position will heighten the visibility of export control issues, and will provide the bureaucratic support necessary to protect U.S. national security interests.

**Limiting NATO Expansion Costs.** The conferees included a provision to limit the U.S. share of costs associated with the admission of Poland, Hungary, and the Czech Republic into NATO. Under the provision, the U.S. cost share cannot exceed the lesser of 25 percent of total common costs or \$2 billion.

**Cooperative Threat Reduction (CTR).** The conferees authorized \$440.4 million (\$2.0 million less than the President's request) for CTR activities in fiscal year 1999. Within this total, the conferees authorized DOD's request for all activities related to the transportation, safe storage, and elimination of nuclear weapons including:

- \$142.4 million for strategic offensive arms elimination activities in Russia;
- \$47.5 million for strategic nuclear arms elimination in Ukraine;
- \$88.4 million for chemical weapons destruction in Russia; and
- \$60.9 million for planning, design, and construction of a fissile material storage facility in Russia.

The conferees also included a provision to allow, subject to notification of Congress, the use of CTR funds to remove or obtain weapons of mass destruction (WMD) and WMD delivery systems from former Soviet states in order to prevent those weapons from falling into the hands of potentially hostile countries. Finally, in line with the conferee's belief that CTR funds are most effectively used to support the core strategic objectives of the CTR program, they included a provision to continue the longstanding prohibition on the use of CTR funding for peacekeeping-related activities in Russia, or for housing, environmental restoration, or job retraining.

### *Miscellaneous*

**DOD Environmental Funding Levels.** The conferees authorized \$4.3 billion (\$46.5 million less than the President's request) for DOD environmental programs.

**Exemplary Conduct Requirements.** The conferees included a provision to express the sense of the House of Representatives that civilian members of the military chain of command (i.e., President and Secretary of Defense) should show in themselves a good example of virtue, honor, and patriotism, in the same manner that commanding officers of the U.S. military are required to by law.

**Honor Guard Details and Burial Flags.** In recent years, DOD has cited manpower and budgetary shortfalls as reason not to provide honor guard details for many veterans' funerals. This is a disturbing development, as America's veterans deserve the honor of having a military detail participate in their funeral. Therefore, the conferees included a provision to require the Secretary of Defense and the Secretary of Veterans Affairs to hold a conference with representatives of veterans service organizations before December 31, 1998 to determine how to improve and increase the availability of military funeral honors for veterans, and to report their findings to Congress by March 15, 1999. Following this conference, the services must provide, upon request, honor guard details for veterans' funerals occurring after December 31, 1999. In addition, the conferees included a provision to direct the Secretary of Veterans Affairs to provide U.S. flags to drape the caskets of deceased members or former members of the Selected Reserve.

**Gender Integrated Training and Housing.** The conferees included several provisions to improve the safety of military recruits and to encourage the development of more effective training environments, including:

- **Separate and Secure Housing for Recruits.** The conferees included a provision to require the service secretaries to provide separate and secure housing for male and female recruits during basic training by April 15, 1999. The sleeping areas and latrine areas for male recruits must be physically separated from those provided for female recruits by permanent walls, with separate entrances for male and female housing areas. If such physical separation cannot be established at a given installation by October 1, 2001, the provision requires the service secretary to house male recruits and female recruits at that installation in separate buildings.
- **Separate Training.** The conferees included a provision that expresses the sense of the House of Representatives that the service secretaries should require male and female recruits to be assigned to separate platoons, flights or divisions, as recommended by the Federal Advisory Committee on Gender-Integrated Training and Related Issues, chaired by former-Senator Nancy Kassebaum-Baker.
- **After-Hours Privacy.** The conferees included a provision to restrict after-hours access to recruit housing areas to drill sergeants and training personnel who are of the same sex as the

recruits housed in the area, or to opposite-sex superiors in the chain of command of the recruits who are accompanied by a member of the same sex (not a recruit) as the recruits housed in the area.

**Prohibition on the Conveyance of Long Beach Property to COSCO.** The conferees included a provision to prevent the Secretary of the Navy from conveying the former Naval Station in Long Beach, California, to the China Ocean Shipping Company (or any successor of that company), by repealing the President's waiver authority on the matter.

**Repealing the Landmine Moratorium.** In 1996, the President signed into law a one-year moratorium on the use of landmines that would take effect in February 1999. Of particular concern, the moratorium would prevent U.S. troops from using landmines to slow an attack by enemy forces in most cases – including an attack by North Korean forces should they advance beyond the Korean demilitarized zone. The Secretary of Defense recently commented, "The moratorium constitutes an unacceptable risk to our troops and threatens mission accomplishment." Furthermore, General Henry Shelton, Chairman of the Joint Chiefs of Staff, noted, "...the moratorium risks greater casualties to the members of our armed forces, as well as to the armed forces and citizens of our coalition partners." In support of the Administration's request to provide legislative relief from the moratorium, the conferees included a provision to repeal the prohibition on the use of landmines by U.S. military forces.

**Study of New Decorations for Service.** The conferees included a provision to require the Secretary of Defense, the service secretaries, and the Secretary of Transportation to review the need for two new military decorations – one to recognize service members who are killed or wounded under non-combat conditions, and the other to recognize U.S. civilian nationals who are killed or wounded while serving in an official capacity with the United States armed forces. Under the provision, the Secretary of Defense must report the results of his review to Congress by July 31, 1999.

**POW/MIA Recovery Efforts.** The Central Identification Laboratory in Hawaii (CILHI) performs the important mission of identifying the remains of military personnel lost in past conflicts. Despite the importance of its mission and the likelihood that remains will continue to be recovered in the years ahead, the Army intends to reduce CILHI staffing by 33 personnel in fiscal year 1999. Reflecting their belief that this reduction would be premature, the conferees included a provision to prohibit the Army from reducing the CILHI staff until the Secretary of Defense establishes a comprehensive joint staffing plan for the facility.

**Weapons of Mass Destruction (WMD).** The conferees included a provision to authorize the President to call-up a maximum of 228 National Guard and reserve personnel to respond to domestic emergencies involving chemical, biological, or nuclear weapons. In addition, the provision allows full time reserve support personnel to prepare for and respond to such an emergency. Finally, the provision requires the Secretary of Defense to certify that members of these reserve rapid response teams have been trained and possess the necessary equipment to properly deal with a domestic WMD emergency.

### Actions on Major Programs in the Fiscal Year 1999 Defense Authorization Act (dollars in millions)

Major Army Programs						
	FY 1999 Budget Request			H.R. 3616 Conference Report		
	R & D	Quantity	Procurement	R & D	Quantity	Procurement
M1A2 Abrams	\$6.4	120	\$675.6	\$6.4	120	\$675.6
Bradley A2 ODS	\$68.0	n/a	\$0.0	\$68.0		\$70.0
OH-58D Upgrades		n/a	\$40.4			\$53.4
RAH-66 Comanche	\$367.0	n/a		\$391.0		
Crusader	\$313.2	n/a		\$313.2		
Crusader improvements		n/a				
HMMVWs		n/a	\$12.1			\$77.8
FMTV		2,038	\$332.0		2,326	\$374.5
MLRS Launchers		24	\$85.4			\$130.4
Javelin Missiles		3,316	\$320.0		3,500	\$336.0
UH-60 Blackhawk		22	\$218.8		30	\$285.2

Major Navy and Marine Corps Programs						
	FY 1999 Budget Request			H.R. 3616 Conference Report		
	R & D	Quantity	Procurement	R & D	Quantity	Procurement
V-22 Osprey	\$355.1	7	\$664.8	\$355.1	8	\$742.8
AAAV	\$104.8	n/a		\$108.8		
Joint Strike Fighter	\$463.4	n/a		\$478.4		
F/A-18EF	\$260.0	30	\$2,897.2	\$260.0	30	\$2,883.2
E-2C Hawkeye	\$47.8	3	\$389.3	\$47.8	3	\$389.3
NSSN	\$299.6	1	\$2,002.9	\$313.6	1	\$2,002.9
CVN-77	\$88.5	n/a	\$124.5	\$88.5	n/a	\$124.5
CV(X)	\$190.0	n/a		\$110.0		
DDG-51	\$132.6	3	\$2,679.4	\$132.6	3	\$2,679.4
CH-60	\$12.8	4	\$132.2	\$12.8	4	\$132.2
JASSM	\$2.1	n/a		\$2.1		
T-45TS		15	\$342.8		15	\$342.8
KC-130J		0	\$0.0		2	\$112.4
LPD-18		1	\$638.8		1	\$638.8

Major Air Force Programs						
	FY 1999 Budget Request			H.R. 3616 Conference Report		
	R & D	Quantity	Procurement	R & D	Quantity	Procurement
KC/RC-135 Reengining		2	\$57.3		5	\$131.3
F-22	\$1,600.0	2	\$785.3	\$1,600.0	2	\$771.3
E-8C Joint STARS		2	\$463.0		2	\$463.0
E-8C Joint STARS Adv. Proc.		n/a	\$0.0		n/a	\$72.0
F-16C/D Fighting Falcon	\$125.1	0	\$0.0	\$125.1	1	\$25.0
C-/EC-/WC-130J		1	\$63.8		5	\$340.2
Navigation Safety Mods.	\$27.0	n/a	\$100.6	\$27.0	n/a	\$150.6
C-17 Globemaster	\$123.1	13	\$2,900.5	\$123.1	13	\$2,900.5
Joint Strike Fighter	\$456.1	n/a		\$456.1		
Airborne Laser	\$292.4			\$235.4		
JASSM	\$132.9	n/a		\$129.9		
B-2 Post Production Support	\$131.2	n/a	\$189.9	\$131.2		\$275.9

Major Defense-wide Programs						
	FY 1999 Budget Request			H.R. 3616 Conference Report		
	R & D	Quantity	Procurement	R & D	Quantity	Procurement
Ammunition (all services)		n/a	\$1,635.4		n/a	\$1,723.6
Ballistic Missile Defense		\$3,640.5			\$3,536.8	
-THAAD	\$821.7	n/a		\$527.4	n/a	
-Navy Theater Wide	\$190.4	n/a		\$310.4	n/a	
-PAC-3	\$137.3	60	\$343.3	\$177.3	40	\$303.2
-National Missile Defense	\$950.5	n/a		\$950.5	n/a	
-SBL*	\$93.8			\$187.8		

\*Includes \$35.0 million in Air Force funding

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